

IN 6-6385

SECRET

10 February 1955

MEMORANDUM FOR: Mr. Joseph M. Dodge

REFERENCE : Your memorandum of 7 February 1955

1. Events of the last few days have added whatever confirmation is needed to your view that there has been a decisive change in the basic economic policy of the Soviet Union. Though Malenkov and Mikoyan never put butter ahead of guns, it is clear that they advocated a reasonable amount of butter along with the guns. The new administration is quite clearly telling its people that heavy, war-supporting industry takes clear precedence and that the people must in effect as patriots be willing to tighten their belts.

2. I agree with you that this has great significance for those who are charged with developing our East-West trade policies. I have reason to hope that it may make our COMCOM friends more receptive to the U.S. position. On the other hand increasing Russian intransigence and vociferous support for China on the Formosa issue render the differential in control levels between China and the rest of the Bloc less and less rational. If in return for some modification in Chinese levels, we could now get a substantial tightening of COMCOM controls, I think it would be an excellent bargain from our point of view.

3. I emphatically agree with your semi-final paragraph as a general proposition: that is to say, a highly subtle distinction between various industrial products as to whether or not they contribute to military potential is futile. The Russian industrial machine is so large that it can make any substitution needed. Therefore, anything, e.g. a textile spinning frame or shoe machine reequipment, which contributes to their industrial potential contributes to their military potential and any finished product frees their basic machinery to make end-items enhancing their military potential.

4. From the point of view of appreciating the magnitude of the basic East-West trade problem before your Committee, I think you may be interested in our recent finding that the Soviets last year produced 90,000 machine tools as compared to 70,000 produced in the U.S. Thus to me it is hard to see how any control program can seriously impair Soviet might.


ROBERT AMORY, JR.
Deputy Director/Intelligence

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DBI:jm (10 Feb)
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1 - AD/RR
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25 YEAR
RE-REVIEW